

VZCZCXRO7119
RR RUEHLMC
DE RUEHLG #0793/01 2961422
ZNR UUUUU ZZH
R 231422Z OCT 07
FM AMEMBASSY LILONGWE
TO RUEHC/SECSTATE WASHDC 4729
INFO RUEHLMC/MCC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC 0517

UNCLAS SECTION 01 OF 02 LILONGWE 000793

SIPDIS

MCC FOR MALIK CHAKA
STATE FOR AF/S E PELLETREAU
DEPT PASS TO USTR/F LIZER

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EAID](#) [PGOV](#) [MI](#)
SUBJECT: MCC DELEGATION VISIT TO MALAWI

11. (SBU) Summary: A three-person delegation from the Millennium Challenge Corporation (MCC), led by Threshold Program Director Malik Chaka, visited Malawi October 3-7, 2007. The delegation assessed the implementation of the Malawi Threshold Country Plan (TCP), both in terms of USAID management of the program, and the progress made by implementing partners and the Government of Malawi (GOM). They met with key GOM counterparts (including the Minister of Finance, the Minister of Economic Planning and Development, and the Inspector General of Police), MCC implementing partners, local business leaders, and USAID and Embassy staff. Site visits were also made to the newly established Financial Intelligence Unit (FIU) and the IFMIS Disaster Recovery Site (both established with support from MCC). Overall, the delegation observed that the four Malawi TCP implementing partners have made strong progress in implementing a wide array of anti-corruption activities, despite the challenging, and often tense, political environment in Malawi.

Better Understanding of FIU

12. (U) Despite the absence of a politically appointed FIU Director, there has been substantial progress in establishing a fully operational FIU, specifically in terms of budget support, staffing, the provision of office space, and outreach to key stakeholders. According to the FIU Legal Counsel, core duties of the FIU can be carried without a full-time Director, in accordance with the Anti-Money Laundering Act (AML). According to the Act, the FIU can receive and analyze reports and enter into premises of financial institutions, without specific reference to the Director. While it is possible that a future Director might change staffing upon arrival, the US Department of Treasury's Office of Technical Assistance (an MCC implementing partner) decided that based on its experience in other countries (and in consultation with the GOM and USAID/Malawi), standing up the FIU without a Director was the most practical course of action. It was also learned during this visit that the FIU already received, and has begun processing, its first report on a "suspicious" financial transaction.

13. (U) The delegation recognized that to successfully fulfill the mandate of the AML Act, a fully functional FIU needs to be complemented with strong investigative and prosecutorial capacity in the GOM. MCC is currently addressing this with capacity-building and technical assistance provided to the Fiscal and Fraud Unit of the Malawi Police Service, the Malawi Revenue Authority, the Reserve Bank of Malawi, the Director of Public Prosecutions at the Ministry of Justice, and key committees in the National Assembly. While not a direct MCC beneficiary, the Anti-Corruption Board (ACB) has benefited by sending people to relevant training programs.

Gondwe: Opposition Blocking Anti-Corruption Nominees

14. (SBU) Malik Chaka met with the Minister of Finance Goodall Gondwe, who has played a leading role in pushing forward a robust economic reform agenda. Gondwe acknowledged that the GOM has not achieved as much as he had hoped in streamlining the process of starting a business in Malawi. He also regretted that the GOM had not been able to obtain Parliamentary approval for a number of key officials in anti-corruption institutions, but the minister argued persuasively that the agenda of the opposition majority in Parliament is to block prosecution of high-level corruption during the previous administration. Gondwe added that he did not expect tensions between opposition leaders and the ruling party to diminish significantly until after national elections expected in 2009. Local, Parliamentary and presidential elections were likely to happen simultaneously in 2009, he added, though a Constitutional amendment would have to be approved by Parliament to approve the new schedule.

Business Community Sees More Stability, Less Corruption

15. (SBU) The delegation met with representatives from the business community, including the private media, the agriculture and banking sectors, and financial services. There was a consensus that the current government has played an instrumental role in promoting macro-economic reform and stability, and in reducing corruption at all levels. The GOM has also established a more pro-business climate in the country, business leaders agreed. However, there was a recognition that more needs to be done to create a truly enabling environment for the private sector to contribute more fully to economic growth and development. There was a general consensus that MCC-funded investment in infrastructure, both road and rail, would have the broadest benefits. Education/computer investments and small-scale irrigation projects were mentioned as well as potential areas for MCC programs.

LILONGWE 00000793 002 OF 002

TCP Sustainability

16. (U) In all of the meetings, the delegation focused on the sustainability of anti-corruption interventions supported by MCC. Implementing partners and GOM counterparts shared their perspectives on this. Regarding capacity-building, it was noted that in several cases training sessions were led by Malawian beneficiaries of MCC-supported "train-the-trainer" programs, with oversight and mentoring by MCC USG resident advisors. It is anticipated that Malawian ownership of these kinds of programs will deepen over the next quarter. The Government of Malawi (GOM) also, ahead of schedule, assumed the full responsibility of paying the salaries of parliamentary committee clerks originally supported by MCC through the State University of New York (SUNY), the MCC implementing partner working on legislative strengthening in the NA. These clerks provide the NA Secretariat with the capacity to manage a robust committee system led by trained professionals, thus facilitating informed legislative oversight of the executive branch.

Conclusion: Strong Progress through TCP

17. (U) Overall, the delegation observed that the four Malawi TCP implementing partners have made strong progress in implementing a wide array of anti-corruption activities, despite the challenging, and often tense, political environment in Malawi.

EASTHAM